
Financial Plan

The District of Columbia's financial management has contributed to a dramatically improved fiscal landscape during the last five years. Maintaining this success is an explicit goal of the city's elected and appointed leaders, and though the FY 2003 multi-year financial plan presents a long-term balance between revenues and expenditures, city leaders must address the following impending challenges:

- **Structural Imbalance.** As a government entity with city, state and county characteristics and a unique fiscal relationship with the federal government, the District has an incomparable financial structure among jurisdictions nationwide. Limitations on the District's revenue base exempt particular economic activity from taxation. For example, the District can tax just 34 percent of income earned within its borders and 53 percent of District property value cannot be taxed because of federal and other exemptions. With these limitations, the District provides unreimbursed municipal services to the federal government as well as extensive state-like services that cities typically provide with state funds.
- **Bond ratings.** In fiscal year 2001, for the second time in two years, the three major rating agencies increased the District's general obligation bond ratings. An improved bond rating provides tangible benefits to the District, enabling the District to issue new bonds at lower interest rates and to refinance outstanding bonds at those lower rates. An improved bond rating also provides intangible benefits to the District by engendering trust and confidence in the city as a place for businesses and individuals to invest. It is an explicit goal of the District to pursue financial management practices that will lead to bond rating enhancements.
- **Maintaining cash reserves.** By the end of fiscal year 2002 -- five years ahead of schedule -- the District will have accumulated cash reserves in excess of \$250 million and exceed the federally mandated target of seven percent of local fund expenditures. This onerous cash reserve target, which exceeds national benchmarks and rating agency standards, does provide a safeguard for emergency

needs. However, because any funds expended from the reserve in one year must be replenished in the following fiscal year, it would be imprudent for the District to use these cash reserves for operating budget expenses, a strategy that would worsen operating pressures in the following fiscal year.

- **Addressing Accumulated Service Needs.** In recent years, mid-year fiscal pressures have required drastic action by District leaders including the reallocation of resources from one program to another or funding agency deficits with general fund resources. These fiscal pressures are often the result of historical under-funding. The District is acting decisively to adequately fund the baseline budget and plans to use the proceeds from the debt restructuring associated with tobacco funds to address service needs once the District has fulfilled its emergency and contingency cash reserve requirements.
- **Control period triggers.** September 2001 marked the end of the District's federal control period. To retain Home Rule, the District must make all payroll, pension, benefits, and interstate compact payments; must not borrow funds from the United States Treasury; and must not default on any loans, bonds, or notes. In addition, the District must maintain a cash surplus large enough to cover any gap between estimated revenues and estimated expenditures for the remainder of the fiscal year plus the first six months of the succeeding fiscal year.

Understanding the Financial Plan

The Financial Plan provides extensive, relevant financial information targeted to District needs. To provide this targeted outlook, the Financial Plan contains pertinent elements of three financial statements:

- Statement of Budgetary Revenues and Expenditures, with Generally Accepted Accounting Principles (GAAP) Reconciliation
- Statement of Changes in Fund Balance
- Statement of Cash Flow

The District uses the multi-year financial

plan as a working tool throughout the fiscal year to monitor the impact of legislative proposals, programmatic initiatives, and economic changes on the District's near-term fiscal outlook. The District formally issues the plan with the Council budget submission in March and the congressional submission in June. The plan addresses the District's general fund only. For information on the District's other funds, see the Fund Structure appendix of the budget.

Of special note, the FY 2003 Proposed Budget and Financial Plan includes the following major items:

- **Revenue Projections:** The impact of the national recession, the September 11 terrorist attack, and other special factors that affect the timing and amount of D.C. revenues all contribute to a constrained revenue picture in the coming years. Current estimates show average tax revenue growth of 2.1 percent per year over the FY 2001 to FY 2006 period. Estimates of local fund revenue average growth of approximately 1.7 percent per year over the same period. Revenue projections are described in detail in the Revenues chapter.
- **Expenditure Projections:** Expenditures are projected to grow more slowly than they have in recent years. Education and health care costs have led the recent growth in expenditures, and health care, especially Medicaid, is expected to continue to be an important cost driver in the near future. On the other hand, the District has benefited from reduced debt service costs, in part due to securitization of future tobacco settlement payments that has allowed the District to restructure its debt. Expenditure projections are described in detail in the Operating Expenditures chapter.
- **Reserve Changes:** Budgeted Reserve and Cash Set Aside. As the District accumulates cash reserves, the District is phasing out its Budgeted Reserve. This reserve, previously totaling \$150 million through FY 2004, will total \$120 million in FY 2002 and \$70 million in FY 2003. In FY 2004 and beyond, the District will replace the budgeted reserve with a cash set aside to fulfill the needs that the budgeted reserve previously filled. The

Table 3-1

Reserve Summary

(\$ in millions)

	FY01 Actual		FY02 Approved		FY03 Proposed		FY04 Proposed		FY05 Proposed		FY06 Proposed	
	Total	Target	Total	Target	Total	Target	Total	Target	Total	Target	Total	Target
Budgeted Reserve	150.0		120.0		70.0		0.0		0.0		0.0	
Cash Reserves												
Emergency and Contingency Cash Reserves 1/	100.8	227.6	258.9	248.7	272.7	272.7	280.5	280.5	287.9	287.9	298.5	298.5
Emergency Reserve (4%)	100.8	130.0	150.0	142.1	155.9	155.9	160.3	160.3	164.5	164.5	170.6	170.6
Contingency Reserve (3%)	0.0	97.6	108.9	106.6	116.9	116.9	120.2	120.2	123.4	123.4	127.9	127.9
Cash Set-aside	0.0	0.0	0.0	0.0	0.0	0.0	50.0	50.0	50.0	50.0	50.0	50.0
Tobacco Trust Fund (Investment Funds)	0.0	n/a	16.6	n/a	16.6	n/a	16.6	n/a	47.6	n/a	76.0	n/a
Total Cash Reserves	100.8	227.6	275.5	248.7	289.3	257.4	347.1	316.4	385.5	325.7	424.5	335.3
Filling the Emergency and Contingency Reserves												
1% Requirement 2/	33.0		35.5		0.0		0.0		0.0		0.0	
Tobacco Savings	69.4		0		0.0		0.0		0.0		0.0	
Debt Relief 3/	0.0		122.5		0.0		0.0		0.0		0.0	
Adjustments to Total 4/	(1.6)		0.0		0.0		0.0		0.0		0.0	
Emergency and Contingency Cash Reserves 1/	100.8		258.9		272.7		280.5		287.9		298.5	

1/ In FY03 and beyond table assumes that interest earned will keep pace with any increases in the 7% target resulting from increases in the operating budget.

2/ Upon satisfying the 7% target, the 1% cash contribution is no longer necessary.

3/ These funds had been dedicated to prepaying debt service; they will now be used to fill cash reserves.

4/ Adjustment includes the withdrawal of \$3.0 for FY 2001 emergency flood expenditures and an additional \$1.4 million from accumulated interest.

District will replace any funds used in one fiscal year in the following fiscal year.

- Filling the Emergency and Contingency Reserves: Since Congress established the requirement that the District fund two cash reserves totaling seven percent of locally funded expenditures in FY 2001, the District has taken an aggressive approach to populating these reserves. The District used the initial funding mechanism, which was one percent of locally funded expenditures each year for seven years, and added proceeds from refinancing the tobacco receipts and funds previously earmarked for prepaying debt. Because of this aggressive schedule, the District will fully fund these reserves by the end of fiscal year 2002, five years ahead of the initial target date. Table 3-1 provides an overview of reserve targets and totals for all District reserves, as well as the District's strategy for filling the emergency and contingency reserves.

Reading the Financial Plan

The remainder of this section addresses the components of this year's multi-year financial plan. For explanatory purposes, the plan is broken down into four sections: revenues, expenditures,

GAAP adjustments and transfers, and the fund balance and its composition. The entire plan, along with a summarized version of these four sections, is appended.

Table 3-2

FY 2003 - FY 2006 Proposed Budget and Financial Plan Revenues, Gross Funds

(\$ in Thousands)

		FY 2001 Actual	FY 2002 Approved	FY 2002 Adjusted	FY 2003 Proposed	FY 2004 Projected	FY 2005 Projected	FY 2006 Projected
1	Taxes	3,209,273	3,243,555	3,203,958	3,283,702	3,311,574	3,422,092	3,541,640
2	Non-Tax Revenues	315,973	225,334	223,341	223,613	230,672	239,872	239,624
3	Federal Payment/Contribution	43,295	38,193	194,093	33,000	0	0	0
4	Lottery	86,858	70,000	70,000	72,900	73,800	74,600	74,600
5	FY 2001 General Obligation Bonds (Refunding)	568,776	0	0	0	0	0	0
6	Local Fund Revenues	4,224,175	3,577,082	3,691,392	3,613,215	3,616,046	3,736,564	3,855,864
7	Grants	1,307,991	1,543,041	1,543,041	1,699,974	1,745,282	1,842,342	1,946,844
8	Private/Other Revenues	288,169	194,510	194,510	186,994	192,753	198,705	204,858
9	Non-Local Fund Revenues	1,596,160	1,737,551	1,737,551	1,886,968	1,938,763	2,041,047	2,151,702
10	Mayor's Tax and Legislative Package	0	0	0	129,400	201,153	219,810	225,229
11	Carryforward from prior year	147,714	45,500	45,500	0	0	0	0
12	Total Revenues with Mayor's Initiatives	5,968,049	5,360,133	5,474,443	5,629,583	5,755,234	5,997,421	6,232,795

1. Taxes. Includes property, sales, income, and other taxes, which are projected by the Office of Research and Analysis. Beginning in FY 2000, revenues reflect a five-year series of tax rate reductions that were implemented in FY 2000. See the Revenues chapter for further details.

2. Non-tax revenue. Includes revenue from licenses and permits, parking and traffic fines, charges for services, interest income, and other revenue sources. See the Revenues chapter for further details.

3. Federal Payment/Contribution (Federal Support for Special Projects). Reflects the funding contributed by the federal government for specific projects. Payments provided by the federal government for specific projects or initiatives are accounted for as local funds because they are funds transferred to the District for program execution, unlike federal grants, which are programs executed by the federal government.

4. Lottery. Reflects the portion of D.C. Lottery and Charitable Games Board revenue that is transferred to the District's general fund.

5. FY 2001 General Obligation Bonds (Refunding). In FY 2001, the District took advantage of its improved bond rating to refinance outstanding general obligation bonds at more favorable rates. This line item represents the revenue impact of this refinancing. The expenditure impact is within line 20, Financing and Other.

6. Local Fund Revenues.

7. Grants. Federal grant awards anticipated by District agencies. This amount reflects anticipated federal grant receipts.

8. Private/Other revenues. Includes revenues from gifts, private grants, and charges and fees that are dedicated to, and collected and spent by, the collecting agency. This pool is distinct from the Non-Tax Revenue category above, which is part of the general pool of discretionary local revenue.

9. Subtotal, Non-Local Funds.

10. Mayor's Tax and Legislative Package. Reflects policy changes to repeal tax parity for personal income, an estate tax initiative, a modi-

Table 3-3

FY 2003 - FY 2006 Proposed Budget and Financial Plan**General Fund Expenditures by Function, Gross Funds**

(\$ in Thousands)

	FY 2001 Actual	FY 2002 Approved	FY 2002 Adjusted	FY 2003 Proposed	FY 2004 Projected	FY 2005 Projected	FY 2006 Projected
Expenditures (by Appropriation Title)							
13 Governmental Direction and Support	216,896	286,138	353,826	278,887	288,324	298,107	308,254
14 Economic Development and Regulation	189,155	230,878	231,745	237,128	244,238	251,586	259,180
15 Public Safety and Justice	800,819	633,853	671,069	645,851	658,730	681,522	705,183
16 Public Education System	1,077,782	1,108,665	1,108,665	1,227,727	1,225,731	1,221,560	1,247,239
17 Human Support Services	1,743,190	1,803,923	1,828,976	2,431,663	2,501,964	2,609,784	2,754,301
18 Public Works	298,453	300,151	323,646	319,891	331,997	345,682	359,975
19 Receiverships	475,457	403,868	405,449	0	0	0	0
20 Financing and Other	910,681	361,314	361,314	418,202	436,338	470,632	504,803
21 Budgeted Reserve	0	120,000	120,000	70,000	0	0	0
22 Reserve Relief - Programs	0	30,000	30,000	0	0	0	0
23 TIF Expenditures	0	0	0	0	15,000	15,000	15,000
24 Set Aside for Cash Reserve	0	0	0	0	50,000	0	0
25 Tobacco Trust Fund (Program Funds)	0	16,627	16,627	0	0	30,984	28,371
26 Tobacco Trust Fund (Investment Funds)	0	16,627	16,627	0	0	30,984	28,371
27 Total Expenditures	5,712,433	5,312,044	5,467,944	5,629,349	5,752,322	5,955,841	6,210,677
28 Operating Margin, Budget Basis	255,616	48,089	6,499	234	2,912	41,580	22,118

fication to the housing production act and parking fine increases.

11. Carry-forward from prior year. The District's FY 2002 Appropriations Act allows the District to carry-forward the unspent portion of the FY 2001 Budgeted Reserve for uses in FY 2002. Of the \$150 million Budgeted Reserve in FY 2001, the District spent \$104 million on the costs related to the Public Benefit Corporation leaving \$46 million to be carried forward for expenditures in FY 2002.

12. Total Revenues with Mayor's Initiatives.

13 - 19. Agency Expenditures. These items reflect agency expenditures by appropriation title.

The growth of expenditures in the out-years is based on growth assumptions that are discussed in the Operating Expenditures chapter. In FY 2003, expenditures in the receivership appropriation title have been transferred to the Human Support Services appropriation title because the programs associated with these funds are no longer in receivership. Additionally, Settlements and Judgements has been transferred to the Financing and Other appropriation title.

20. Financing and Other. Includes Repayment of Debt, Short-Term Borrowings, Certificate of Participation, the Wilson Building Payment and Settlements and Judgments. Also, new in FY

2002 Congress provided a Federal Payment/Contribution for Emergency Planning and Security needs and created an appropriation title for the distribution of these funds. These funds will be distributed to the appropriate agency for expenditure.

21. Budgeted Reserve. The Budgeted Reserve is a fiscal safeguard mandated by Congress. This reserve is being phased out as the District builds its cash reserves. In FY 2002 this reserve falls to \$120 million and in FY 2003 it falls to \$70 million before being completely phased out in FY 2004.

22. Reserve Relief - Programs. When Congress authorized the District to reduce its Budgeted Reserve from \$150 million to \$120 million in FY 2002, the District was granted authority to spend the \$30 million difference.

23. TIF (Tax Increment Financing) Expenditures. Starting in FY 2004, the District will budget expenditures within the TIF program. The District will budget the lesser of \$15 million, debt service on the Gallery Place and Mandarin Oriental TIF bonds, or the real property and sales tax increment from the downtown TIF area.

24. Set Aside for Cash Reserve - Beginning in FY 2004 the District is required to set aside cash of \$50 million to provide a cushion in the absence of the budgeted reserve.

25. - 26. Tobacco Trust Fund. These two line items reflect the operating budget relief that the District achieved from the defeasance (or prepayment) of bonds with proceeds from securitized tobacco settlement funds. In FY 2002 after the cash reserves have been filled, these funds are dedicated to the Tobacco Trust Fund. Half of the funds from the tobacco trust fund is to be dedicated to programs and half are to be invested for a future use. In FY 2003 and 2004 all of the Tobacco Trust Fund is dedicated to programs within Public Education and Human Support Services in line with the Executive's proposal to the Council of the District of Columbia.

27. Total Expenditures.

28. Operating Margin, Budget Basis. This line provides the difference between Total Revenues with Mayor's Initiatives and Total Expenditures.

29. Projected GAAP Adjustments (Net). GAAP

adjustments are year-end adjustments for estimated losses due to disallowed cost for federal grants. In addition, these can be items such as lawsuit settlements for expenses that do not require the present use of currently available resources. As a result, GAAP adjustments are expenses not charged to the current year operating budget due to the substantial time lag, generally of one or more fiscal years, between when a cost is identified and when it is ultimately paid.

30. Unspent Reserve (Budgeted). Reflects the projected portion of the budgeted reserve that will not be expended during the fiscal year.

31. - 32. 1% Cash Transfer. Reflects the required transfer of one percent of local fund expenditures to the emergency and contingency cash reserves. This is not an appropriated expenditure, so it remains below the bottom line. Because this is a transfer between fund balance items, this transfer does not alter the operating margin.

33. - 34. FY 2000 Carryover. Reflects the required transfer of \$122.5 million from the unrestricted fund balance to the cash reserves. These funds were previously earmarked for prepaying debt, but this requirement was altered by the FY 2002 Appropriations Act.

35. Set Aside for Cash Reserve. The District will establish a \$50 million cash reserve in FY 2004 to provide budgetary stability as a replacement for the phased-out budgeted reserve. This value is added back to the operating margin because the associated funds remain within the District's fund balance.

36. Tobacco Trust Fund (Investment Funds). Reflects the value in Line 26. This value is added back to the operating margin because the associated funds remain in the District's fund balance.

37. Operating Margin, GAAP. Reflects the Operating Margin, Budget Basis plus Total GAAP Adjustments and Transfers.

38. Beginning Fund Balance. Shows the accumulated fund balance for the general fund at the beginning of the fiscal year, which is identical to the end of year fund balance for the previous fiscal year.

39. Surplus/(Deficit). Restatement of Line 37.

40. Adjustments to Fund Balance. Represents adjustments to prior year fund balance for items carried-forward from one fiscal year to the next.

Table 3-4

FY 2003 - FY 2006 Proposed Budget and Financial Plan**GAAP Adjustments and Transfers, Gross Funds**

(\$ in Thousands)

	FY 2001 Actual	FY 2002 Approved	FY 2002 Adjusted	FY 2003 Proposed	FY 2004 Projected	FY 2005 Projected	FY 2006 Projected
29 Projected GAAP Adjustments (Net)	(177,996)	(50,000)	(50,000)	(20,000)	(20,000)	(20,000)	(20,000)
30 Unspent Reserve (Budgeted)	0	70,000	70,000	20,000	0	0	0
31 1% Cash Transfer (From Unrest. Fund Balance)	(33,000)	(35,533)	(35,533)	0	0	0	0
32 1% Cash Transfer (to Cash Reserves)	33,000	35,533	35,533	0	0	0	0
33 FY 2000 Carryover (From Unrest. Fund Balance)	0	(122,480)	(122,480)	0	0	0	0
34 FY 2000 Carryover (to Cash Reserves)	0	122,480	122,480	0	0	0	0
35 Set Aside for Cash Reserve (From Unrest. Fund Bal.)	0	0	0	0	50,000	0	0
36 Tobacco Trust Fund (Investment Funds)	0	16,627	16,627	0	0	30,984	28,371
37 Net Operating Margin - GAAP Basis	77,620	84,716	43,126	234	32,912	52,564	30,489

41. Adjusted Ending Fund Balance. Shows a summation of the beginning of the year fund balance, the annual surplus, and Adjustments to the Fund Balance.

42. Emergency and Contingency Cash Reserve Target (7%). The District is required to establish a 4 percent Emergency Reserve Fund and a 3 percent Contingency Reserve Fund totaling 7 percent of proposed local expenditures. This line reflects the 7 percent target.

43. Emergency and Contingency Cash Reserve Total (7%). Displays the sum of lines 44 and 45.

44. Emergency Cash Reserve Balance (4%). This fund is required to equal 4 percent of the District's local expenditures. The District plans to fill this reserve in FY 2002.

45. Contingency Cash Reserve Balance (3%). This fund is required to equal 3 percent of the District's local expenditures. The District plans to fill this reserve in FY 2002.

46. Set Aside for Cash Reserve. This fund will replace the budgeted reserve in FY 2004 and will

be a cash reserve totaling \$50 million.

47. Tobacco Securitization Savings (Investment Funds). Reflects savings from the tobacco securitization that are to be invested.

48. Cash Reserve Total.

49. Fund Balance not in Reserve. Reflects the portion of the Fund Balance that is not composed of cash reserves. This line item does not reflect available funds because there are several restrictions on the District's fund balance in addition to cash reserve balances. One such restriction is bond escrow, which composes more than \$200 million of the District's FY 2001 Fund Balance. Bond escrow is accumulated cash that the District is required to maintain for debt payments in the coming year. Fund Balance restrictions are addressed thoroughly in the District's Comprehensive Annual Financial Report.

Table 3-5

FY 2003 - FY 2006 Proposed Budget and Financial Plan**Fund Balance and Composition of Fund Balance**

(\$ in Thousands)

	FY 2001 Actual	FY 2002 Approved	FY 2002 Adjusted	FY 2003 Proposed	FY 2004 Projected	FY 2005 Projected	FY 2006 Projected
38 Beginning Fund balance	484,625	562,245	562,245	559,871	560,105	593,017	645,581
39 Surplus/(Deficit)	77,620	84,716	43,126	234	32,912	52,564	30,489
40 Adjustments to Fund Balance	0	(45,500)	(45,500)	0	0	0	0
41 Adjusted Ending Fund Balance	562,245	601,461	559,871	560,105	593,017	645,581	676,070
42 Emergency & Contingency Cash Reserve Target (7%)	227,555	248,731	248,731	272,746	280,493	287,945	298,468
43 Emergency & Contingency Cash Reserve Total (7%)	100,858	258,871	258,871	272,746	280,493	287,945	298,468
44 Emergency Cash Reserve Balance (4%)	100,858	150,000	150,000	155,855	160,282	164,540	170,553
45 Contingency Cash Reserve Balance (3%)	0	108,871	108,871	116,891	120,211	123,405	127,915
46 Set Aside for Cash Reserve	0	0	0	0	50,000	50,000	50,000
47 Tobacco Trust Fund (Investment Funds)	0	16,627	16,627	16,627	16,627	47,611	75,982
48 Cash Reserve Total	100,858	275,498	275,498	289,373	347,120	385,556	424,450
49 Fund Balance not in Reserve	461,387	325,963	284,373	270,732	245,897	260,025	251,620

Fiscal Condition Assessment

The FY 2003 through FY 2006 Financial Plan depicts four years of balanced budgets with modest surpluses. The District's accumulated reserves provide a budgetary safeguard for the near future, giving the District the flexibility to avert short-term imbalances between revenues and expenditures.

However, recessionary revenue pressures, accumulated operating service needs, and a long-term structural imbalance between revenues and expenditures all apply pressure to the District's operating margin. The District has averted the confluence of these pressures over the last five

years with aggressive management reform and a booming economy. The District may need to adopt austerity measures that impact service delivery if the city must address these pressures with existing resources.

The Revenue chapter and the Operating Expenditures chapter provide the detail behind the assumptions used to generate these estimates.

Table 3-6

FY 2003 - FY 2006 Proposed Budget and Financial PlanSummary, Gross Funds

(\$ in Thousands)

	FY 2001 Actual	FY 2002 Approved	FY 2002 Adjusted	FY 2003 Proposed	FY 2004 Projected	FY 2005 Projected	FY 2006 Projected
12 Total Revenues with Mayor's Initiatives (See Table 3-2)	5,968,049	5,360,133	5,474,443	5,629,583	5,755,234	5,997,421	6,232,795
General Fund Expenditures (See Table 3-3)							
General Program Expenditures	5,712,433	5,158,790	5,314,690	5,559,349	5,752,322	5,893,873	6,153,935
21 Budgeted Reserve	0	120,000	120,000	70,000	0	0	0
Tobacco Funds	0	33,254	33,254	0	0	61,968	56,742
27 Total Expenditures	5,712,433	5,312,044	5,467,944	5,629,349	5,752,322	5,955,841	6,210,677
28 Operating Margin, Budget Basis	255,616	48,089	6,499	234	2,912	41,580	22,118
GAAP Adjustments and Transfers (See Table 3-4)	(177,996)	36,627	36,627	0	30,000	10,984	8,371
37 Net Operating Margin - GAAP Basis	77,620	84,716	43,126	234	32,912	52,564	30,489
38 Beginning Fund balance	484,625	562,245	562,245	559,871	560,105	593,017	645,581
39 Surplus/(Deficit)	77,620	84,716	43,126	234	32,912	52,564	30,489
40 Adjustments to Fund Balance	0	(45,500)	(45,500)	0	0	0	0
41 Adjusted Ending Fund Balance	562,245	601,461	559,871	560,105	593,017	645,581	676,070
42 Emergency & Contingency Cash Reserve Target (7%)	227,555	248,731	248,731	272,746	280,493	287,945	298,468
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44 Emergency Cash Reserve Balance (4%)	100,858	150,000	150,000	155,855	160,282	164,540	170,553
45 Contingency Cash Reserve Balance (3%)	0	108,871	108,871	116,891	120,211	123,405	127,915
46 Set Aside for Cash Reserve	0	0	0	0	50,000	50,000	50,000
47 Tobacco Trust Fund (Investment Funds)	0	16,627	16,627	16,627	16,627	47,611	75,982
48 Cash Reserve Total	100,858	275,498	275,498	289,373	347,120	385,556	424,450
49 Fund Balance not in Reserve	461,387	325,963	284,373	270,732	245,897	260,025	251,620

This table provides a summary of the District's FY 2003 through FY 2006 Proposed Budget and Financial Plan, Gross Funds. A more detailed version of this plan appears on the facing page.

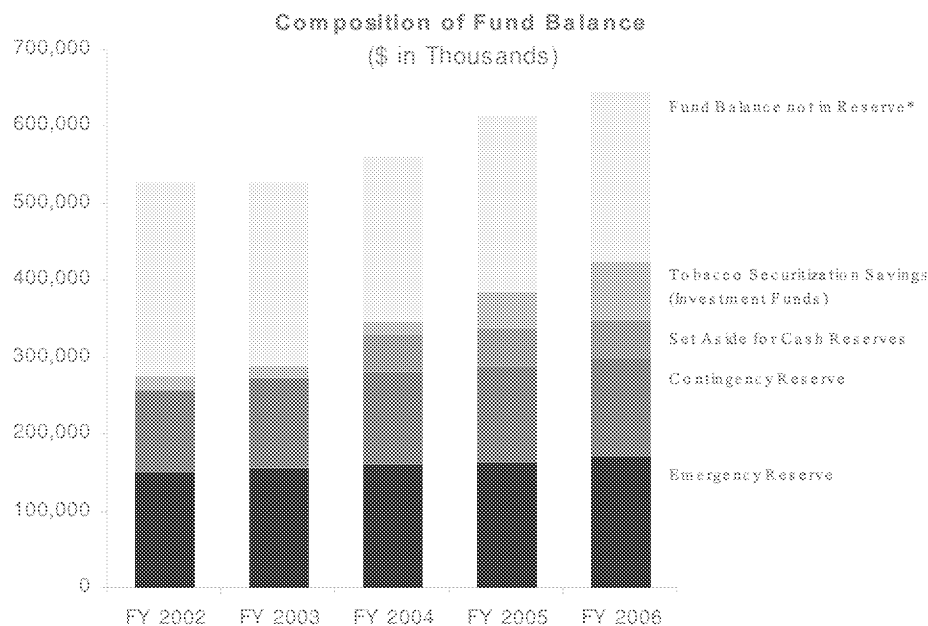


Table 3-6A

FY 2003 - FY 2006 Proposed Budget and Financial Plan, Gross FundsLong Form

(\$ in Thousands)

Revenues	FY 2001 Actual	FY 2002 Approved	FY 2002 Adjusted	FY 2003 Proposed	FY 2004 Projected	FY 2005 Projected	FY 2006 Projected
1 Taxes	3,209,273	3,243,555	3,203,958	3,283,702	3,311,574	3,422,092	3,541,640
2 Non-Tax Revenues	315,973	225,334	223,341	223,613	230,672	239,872	239,624
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4 Lottery	86,858	70,000	70,000	72,900	73,800	74,600	74,600
5 FY 2001 General Obligation Bonds (Refunding)	568,776	0	0	0	0	0	0
6 Local Fund Revenues	4,224,175	3,577,082	3,691,392	3,613,215	3,616,046	3,736,564	3,855,864
7 Grants	1,307,991	1,543,041	1,543,041	1,699,974	1,745,282	1,842,342	1,946,844
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9 Non-Local Revenues	1,596,160	1,737,551	1,737,551	1,886,968	1,938,763	2,041,047	2,151,702
10 Mayor's Tax and Legislative Package	0	0	0	129,400	201,153	219,810	225,229
11 Carryforward from prior year	147,714	45,500	45,500	0	0	0	0
12 Total Revenues with Mayor's Initiatives	5,968,049	5,360,133	5,474,443	5,629,583	5,755,234	5,997,421	6,232,795
Expenditures (by Appropriation Title)							
13 Governmental Direction and Support	216,896	286,138	353,826	278,887	288,324	298,107	308,254
14 Economic Development and Regulation	189,155	230,878	231,745	237,128	244,238	251,586	259,180
15 Public Safety and Justice	800,819	633,853	671,069	645,851	658,730	681,522	705,183
16 Public Education System	1,077,782	1,108,665	1,108,665	1,227,727	1,225,731	1,221,560	1,247,239
17 Human Support Services	1,743,190	1,803,923	1,828,976	2,431,663	2,501,964	2,609,784	2,754,301
18 Public Works	298,453	300,151	323,646	319,891	331,997	345,682	359,975
19 Receiverships	475,457	403,868	405,449	0	0	0	0
20 Financing and Other	910,681	361,314	361,314	418,202	436,338	470,632	504,803
21 Budgeted Reserve	0	120,000	120,000	70,000	0	0	0
22 Reserve Relief - Programs	0	30,000	30,000	0	0	0	0
23 TIF Expenditures	0	0	0	0	15,000	15,000	15,000
24 Set Aside for Cash Reserve	0	0	0	0	50,000	0	0
25 Tobacco Trust Fund (Program Funds)	0	16,627	16,627	0	0	30,984	28,371
26 Tobacco Trust Fund (Investment Funds)	0	16,627	16,627	0	0	30,984	28,371
27 Total Expenditures	5,712,433	5,312,044	5,467,944	5,629,349	5,752,322	5,955,841	6,210,677
28 Operating Margin, Budget Basis	255,616	48,089	6,499	234	2,912	41,580	22,118
29 Projected GAAP Adjustments (Net)	(177,996)	(50,000)	(50,000)	(20,000)	(20,000)	(20,000)	(20,000)
30 Unspent Reserve (Budgeted)	0	70,000	70,000	20,000	0	0	0
31 1% Cash Transfer (From Unrest. Fund Balance)	(33,000)	(35,533)	(35,533)	0	0	0	0
32 1% Cash Transfer (to Cash Reserves)	33,000	35,533	35,533	0	0	0	0
33 FY 2000 Carryover (From Unrest. Fund Balance)	0	(122,480)	(122,480)	0	0	0	0
34 FY 2000 Carryover (to Cash Reserves)	0	122,480	122,480	0	0	0	0
35 Set Aside for Cash Reserve (From Unrest. Fund Bal.)	0	0	0	0	50,000	0	0
36 Tobacco Trust Fund (Investment Funds)	0	16,627	16,627	0	0	30,984	28,371
37 Net Operating Margin - GAAP Basis	77,620	84,716	43,126	234	32,912	52,564	30,489
38 Beginning Fund balance	484,625	562,245	562,245	559,871	560,105	593,017	645,581
39 Surplus/(Deficit)	77,620	84,716	43,126	234	32,912	52,564	30,489
40 Adjustments to Fund Balance	0	(45,500)	(45,500)	0	0	0	0
41 Adjusted Ending Fund Balance	562,245	601,461	559,871	560,105	593,017	645,581	676,070
42 Emergency & Contingency Cash Reserve Target (7%)	227,555	248,731	248,731	272,746	280,493	287,945	298,468
43 Emergency & Contingency Cash Reserve Total (7%)	100,858	258,871	258,871	272,746	280,493	287,945	298,468
44 Emergency Cash Reserve Balance (4%)	100,858	150,000	150,000	155,855	160,282	164,540	170,553
45 Contingency Cash Reserve Balance (3%)	0	108,871	108,871	116,891	120,211	123,405	127,915
46 Set Aside for Cash Reserve	0	0	0	0	50,000	50,000	50,000
47 Tobacco Trust Fund (Investment Funds)	0	16,627	16,627	16,627	16,627	47,611	75,982
48 Cash Reserve Total	100,858	275,498	275,498	289,373	347,120	385,556	424,450
49 Fund Balance not in Reserve	461,387	325,963	284,373	270,732	245,897	260,025	251,620

Table 3-7

FY 2003 - FY 2006 Proposed Budget and Financial PlanSummary, Local Funds

(\$ in Thousands)

	FY 2001 Actual	FY 2002 Approved	FY 2002 Adjusted	FY 2003 Proposed	FY 2004 Projected	FY 2005 Projected	FY 2006 Projected
Local Revenues with Mayor's Initiatives	4,371,889	3,622,582	3,736,892	3,742,615	3,817,199	3,956,374	4,081,093
General Fund Expenditures							
General Program Expenditures	4,130,103	3,421,239	3,577,139	3,672,381	3,814,287	3,852,826	4,002,233
21 Budgeted Reserve	0	120,000	120,000	70,000	0	0	0
Tobacco Funds	0	33,254	33,254	0	0	61,968	56,742
Total Expenditures	4,130,103	3,574,493	3,730,393	3,742,381	3,814,287	3,914,794	4,058,975
28 Operating Margin, Budget Basis	241,786	48,089	6,499	234	2,912	41,580	22,118
GAAP Adjustments and Transfers	(164,166)	36,627	36,627	0	30,000	10,984	8,371
37 Net Operating Margin - GAAP Basis	77,620	84,716	43,126	234	32,912	52,564	30,489
38 Beginning Fund balance	484,625	562,245	562,245	559,871	560,105	593,017	645,581
39 Surplus/(Deficit)	77,620	84,716	43,126	234	32,912	52,564	30,489
40 Adjustments to Fund Balance	0	(45,500)	(45,500)	0	0	0	0
41 Adjusted Ending Fund Balance	562,245	601,461	559,871	560,105	593,017	645,581	676,070
42 Emergency & Contingency Cash Reserve Target (7%)	227,555	248,731	248,731	272,746	280,493	287,945	298,468
43 Emergency & Contingency Cash Reserve Total (7%)	100,858	258,871	258,871	272,746	280,493	287,945	298,468
44 Emergency Cash Reserve Balance (4%)	100,858	150,000	150,000	155,855	160,282	164,540	170,553
45 Contingency Cash Reserve Balance (3%)	0	108,871	108,871	116,891	120,211	123,405	127,915
46 Set Aside for Cash Reserve	0	0	0	0	50,000	50,000	50,000
47 Tobacco Trust Fund (Investment Funds)	0	16,627	16,627	16,627	16,627	47,611	75,982
48 Cash Reserve Total	100,858	275,498	275,498	289,373	347,120	385,556	424,450
49 Fund Balance not in Reserve	461,387	325,963	284,373	270,732	245,897	260,025	251,620

FY 2003 Local Fund Sources and Uses

(\$ in thousands)

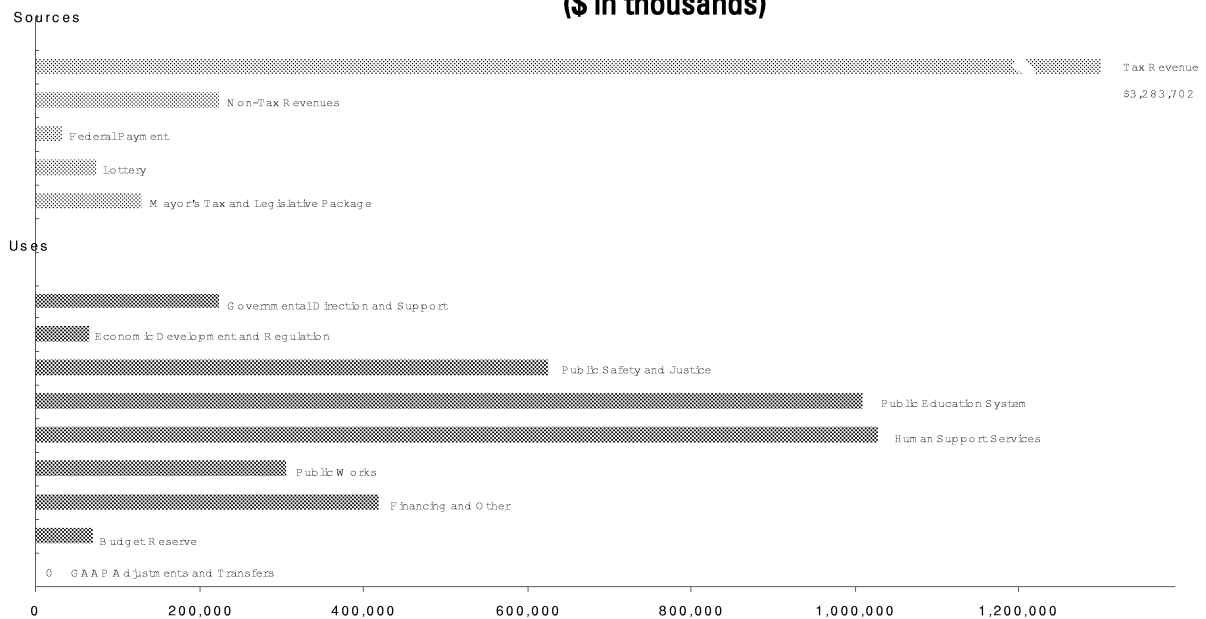


Table 3-7A

FY 2003 - FY 2006 Proposed Budget and Financial Plan, Local Funds

Long Form

(\$ in Thousands)

	FY 2001 Actual	FY 2002 Approved	FY 2002 Adjusted	FY 2003 Proposed	FY 2004 Projected	FY 2005 Projected	FY 2006 Projected
Revenues							
1 Taxes	3,209,273	3,243,555	3,203,958	3,283,702	3,311,574	3,422,092	3,541,640
2 Non-Tax Revenues	315,973	225,334	223,341	223,613	230,672	239,872	239,624
3 Federal Payment/Contribution	43,295	38,193	194,093	33,000	0	0	0
4 Lottery	86,858	70,000	70,000	72,900	73,800	74,600	74,600
5 FY 2001 General Obligation Bonds (Refunding)	568,776	0	0	0	0	0	0
6 Local Fund Revenues	4,224,175	3,577,082	3,691,392	3,613,215	3,616,046	3,736,564	3,855,864
10 Mayor's Tax and Legislative Package	0	0	0	129,400	201,153	219,810	225,229
11 Carryforward from prior year	147,714	45,500	45,500	0	0	0	0
12 Total Revenues with Mayor's Initiatives	4,371,889	3,622,582	3,736,892	3,742,615	3,817,199	3,956,374	4,081,093
Expenditures (by Appropriation Title)							
13 Governmental Direction and Support	178,109	229,421	297,109	223,985	231,737	239,781	248,132
14 Economic Development and Regulation	54,523	60,786	61,653	64,736	66,837	69,015	71,272
15 Public Safety and Justice	634,730	594,803	632,019	626,009	638,295	660,476	683,507
16 Public Education System	962,413	896,994	896,994	1,007,832	999,297	988,372	1,007,075
17 Human Support Services	780,771	711,072	736,125	1,026,720	1,060,251	1,079,819	1,128,925
18 Public Works	287,366	286,334	309,829	304,897	316,532	329,731	343,519
19 Receiverships	324,650	250,515	252,096	0	0	0	0
20 Financing and Other	907,541	361,314	361,314	418,202	436,338	470,632	504,803
21 Budgeted Reserve	0	120,000	120,000	70,000	0	0	0
22 Reserve Relief - Programs	0	30,000	30,000	0	0	0	0
23 TIF Expenditures	0	0	0	0	15,000	15,000	15,000
24 Set Aside for Cash Reserve	0	0	0	0	50,000	0	0
25 Tobacco Trust Fund (Program Funds)	0	16,627	16,627	0	0	30,984	28,371
26 Tobacco Trust Fund (Investment Funds)	0	16,627	16,627	0	0	30,984	28,371
27 Total Expenditures	4,130,103	3,574,493	3,730,393	3,742,381	3,814,287	3,914,794	4,058,975
28 Operating Margin, Budget Basis	241,786	48,089	6,499	234	2,912	41,580	22,118
29 Projected GAAP Adjustments (Net)	(164,166)	(50,000)	(50,000)	(20,000)	(20,000)	(20,000)	(20,000)
30 Unspent Reserve (Budgeted)	0	70,000	70,000	20,000	0	0	0
31 1% Cash Transfer (From Unrest. Fund Balance)	(33,000)	(35,533)	(35,533)	0	0	0	0
32 1% Cash Transfer (to Cash Reserves)	33,000	35,533	35,533	0	0	0	0
33 FY 2000 Carryover (From Unrest. Fund Balance)	0	(122,480)	(122,480)	0	0	0	0
34 FY 2000 Carryover (to Cash Reserves)	0	122,480	122,480	0	0	0	0
35 Set Aside for Cash Reserve (From Unrest. Fund Bal.)	0	0	0	0	50,000	0	0
36 Tobacco Trust Fund (Investment Funds)	0	16,627	16,627	0	0	30,984	28,371
37 Net Operating Margin - GAAP Basis	77,620	84,716	43,126	234	32,912	52,564	30,489
38 Beginning Fund balance	484,625	562,245	562,245	559,871	560,105	593,017	645,581
39 Surplus/(Deficit)	77,620	84,716	43,126	234	32,912	52,564	30,489
40 Adjustments to Fund Balance	0	(45,500)	(45,500)	0	0	0	0
41 Adjusted Ending Fund Balance	562,245	601,461	559,871	560,105	593,017	645,581	676,070
42 Emergency & Contingency Cash Reserve Target (7%)	227,555	248,731	248,731	272,746	280,493	287,945	298,468
43 Emergency & Contingency Cash Reserve Total (7%)	100,858	258,871	258,871	272,746	280,493	287,945	298,468
44 Emergency Cash Reserve Balance (4%)	100,858	150,000	150,000	155,855	160,282	164,540	170,553
45 Contingency Cash Reserve Balance (3%)	0	108,871	108,871	116,891	120,211	123,405	127,915
46 Set Aside for Cash Reserve	0	0	0	0	50,000	50,000	50,000
47 Tobacco Trust Fund (Investment Funds)	0	16,627	16,627	16,627	16,627	47,611	75,982
48 Cash Reserve Total	100,858	275,498	275,498	289,373	347,120	385,556	424,450
49 Fund Balance not in Reserve	461,387	325,963	284,373	270,732	245,897	260,025	251,620